

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rachel Dutoi Steve Darnell (interim) Andrew Schoff	07-01-21 to 01-11-23 01-12-23 to 01-31-23 02-01-23 to 06-30-24
Superintendent of Schools	Dr. Theodore Stevens Benjamin Anderson	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Steven Koontz Deborah Allen	07-01-21 to 12-31-21 01-01-22 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to the audit report of the South Central Community School Corporation (School Corporation), for the period from July 1, 2021 to June 30, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 14, 2024

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Condition and Context

There were deficiencies in the internal control system of the School Corporation regarding cash and investments and disbursements.

The School Corporation had designed a process of review over the bank reconciliations; however, the process was not consistently implemented throughout the audit period. For six months of the audit period, a process was not in place to ensure a combined monthly bank reconciliation was prepared in a timely manner and that the individual bank reconciliations agreed to the financial ledger and financial statement cash balance. Additionally, the supporting documentation for reconciling items for those six months reconciliations was not retained. Internal controls were not effective in ensuring monthly reconciliations were complete and accurate.

A combined reconciliation performed by the Indiana State Board of Accounts for June 30, 2023, determined there were disbursements that were not recorded and/or were not recorded in a timely manner in the financial records which should have been identified if bank reconciliations were properly performed in a timely manner. Amounts were less than material and no adjustments were proposed to the financial statement for the audit period.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The other information entered by the School Corporation contained the following errors:

Grant Information

The School Corporation had not established effective internal controls over the federal award information entered into Gateway, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The grant information contained errors that were material in nature.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA included in the Federal Compliance Audit Report of the School Corporation.

Capital Assets

The School Corporation was unable to provide a detailed capital asset ledger to substantiate the capital asset information reported in the AFR during the audit period. The Schedule of Capital Assets was not presented in the Financial Statement Audit Report for the School Corporation.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

CAPITAL ASSETS

Condition and Context

The School Corporation did not maintain a complete detailed listing of all capital assets owned. A listing of vehicles, machinery, and equipment was maintained; however, a listing of land, buildings, or improvements other than buildings was not maintained. Additionally, the current amounts on the inventory listing reflects the replacement cost and not acquisition value.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment appeared in prior Reports B54715 and B59339.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2022 and 2023.

Fund	Amount Overdrawn as of June 30,	
	2022	2023
Curricular Materials Rental	\$ -	\$ 103,240
Unassigned Federal	-	1,177
Little Comet Pre-School/2023	-	2,630
Educational License Plates	-	1,001
School Library Printed Material	-	4,859
Esser III	-	243,776
Federal Tax Clearing	16,816	-
Social Security Clearing	12,822	-
Medical Exp*Sect 125	4,654	3,396
Medicaid Reimbursement Fund	-	41,400
Group Insurance	5,215	-
Annuities	1,100	-
Dental Ins/Voluntary Benefit	450	1,182

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2024, with Andrew Schoff, Treasurer; Benjamin Anderson, Superintendent of Schools; Deborah Allen, President of the School Board; and Emily Homann, Deputy Treasurer.